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Flint Hills says North Pole Refinery will close

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ANCHORAGE, Alaska — Flint Hills Resources announced Tuesday that it will close its North Pole refinery, shuttering a major employer in the Fairbanks area and eliminating a local source of gasoline, jet fuel, heating fuel and other petroleum products.

The closure will mean the loss of 81 jobs.

Mike Brose, vice president of Flint Hills Resources Alaska LLC, said the refinery will close because of a difficult refining market and uncertainties over future soil and groundwater cleanup costs that began under the refinery's former owners, Williams Alaska Petroleum Inc.

"This has been a difficult decision made after a long, thorough and deliberative process," Brose said in an announcement. "Our company has spent an enormous amount of money and resources addressing soil and groundwater contamination that was caused when Williams owned the refinery and the state of Alaska owned the land underneath it. So far, neither Williams nor the state of Alaska have accepted any responsibility for the cleanup."

U.S. Sen. Lisa Murkowski, R-Alaska, said the closure is a major blow to the state, "particularly the economies of Fairbanks and North Pole as the refinery paid some of the highest wages in the region."

She said she is concerned that the closure could affect the integrity of the trans-Alaska pipeline and economically harm the Alaska Railroad, which moves crude by rail to southern customers, and the Ted Stevens Anchorage International Airport, where fuel is sold to passenger and cargo jets.

The company will continue to market fuels through terminals in Fairbanks and Anchorage.

Thirty-five of the refinery's 126 employees will retain jobs in Fairbanks or North Pole, a city about 14 miles south of Fairbanks, and 10 more will stay on the job in Anchorage, said spokesman Jeff Cook. No jobs will end before November, he said, and employees who transfer to other jobs will be reimbursed for moving costs.

The company will end gasoline production May 1, and the production of jet fuel and other refined products will end no later than June 1.

The company for months has struggled to operate in an increasingly competitive refining market. In April 2012, Flint Hills shut down the second of three North Pole refining units and eliminated 35 to 40 jobs, citing decreased jet fuel sales in Anchorage as one factor.

Cook said the refinery since 2008 had a higher raw materials expense than competitors through its continued use of Alaska North Slope crude drawn from the trans-Alaska pipeline. A major component for refining is energy costs, and the refinery, which does not have access to natural gas, has energy costs about three times that of competitors elsewhere, Cook said.

Brose, the company vice president, also cited the "uncertainties over future cleanup responsibilities."

Flint Hills, a division of Koch Industries Inc., completed purchase of the refinery on April 1, 2004. Flint Hills was aware of soil contamination but thought it was confined to the ground beneath the refinery.

"We did not know there was any migration offsite," Cook said.

Sulfolane, a liquid used in refining oil, was detected beyond refinery property. Trace amounts were found in the city of North Pole's two wells, which supply water to more than 500 businesses and homes. Contamination was detected at least 3 miles northwest of the refinery, and sulfolane levels in many of the private wells outside city limits exceeded standards recommended by the federal government.

The contamination is the subject of ongoing litigation.

North Pole residents affected by groundwater contamination will continue to be protected, Brose said.

"Those residents are protected by alternative water sources provided by FHRA," he said. "We will also continue to meet our regulatory commitments to operate our groundwater remediation system to actively remove sulfolane from the aquifer on site."

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